

REDEFINING SOCIAL SECURITY IN CENTRAL AND EASTERN EUROPE¹

Prospectus

Objective

The primary objective of this study is to analyze how the transition to market economies is affecting social security and social welfare systems in the Czech Republic, Hungary, Latvia, Poland, Russia, and Eastern Germany. The term social security refers to old-age and disability pensions, survivors' and dependents' benefits, unemployment benefits, workers' compensation, cash maternity and cash sickness benefits, health care, and family allowances. Social welfare refers to the distribution of means-tested cash assistance and to the personal social service delivery systems in the public, voluntary, and private sectors.

The study examines what policy transformations have been set in motion and seeks to explain the economic, social, political, and cultural reasons behind diverse reforms in the six study countries. A major focus is on the likely impact of changes in the respective social security and social welfare systems on workers, women, children, families, the elderly, ethnic populations, with particular regard to poverty levels.

The analysis is based on a comparative policy model to examine why each of these nations has opted for a particular approach to providing income support, health care, and social services.

The results of the study will be of value to social policy planners and administrators in Central and Eastern Europe in assessing the viability and feasibility of transferring program innovations from other nations that are experiencing similar social issues. It will also assist policy analysts in the European Community by providing information on program developments in Central and Eastern Europe that is critical to the Community's efforts to establish programs of technical exchange. The study will be of additional benefit to policy analysts in the United States who are following social program experiments in Central and Eastern Europe with great interest.

Background

Five years after the socialist governments of Central and Eastern Europe relinquished their control, and more than three years after the dissolution of the Soviet Union, the impact of economic and political change on the public social systems of these nations is a pressing issue. During the initial period of transition, economic and political mechanisms were subject to comprehensive reform, yet many of the social programs inherited from the communist legacy remained operational (Rys, 1993). These programs distribute income support, in-kind benefits,

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health care, and social services to pensioners, widows and dependents, injured and sick workers, and families, while new measures have been initiated to address transition contingencies such as unemployment and poverty (Deacon, 1992).

At present, the fiscal liability of maintaining this high level of state expenditure on social benefits is perceived as a constraint on the attempt of governments to create conditions for an economically efficient market (Kopits, 1993). Many political leaders have accordingly sought to restructure public social systems by narrowing their financial and administrative burdens (Holzmann, 1993, ISSA, 1993, Maydell & Hohnerlein, 1994). At the same time, the development of a democratic environment in Central and Eastern Europe means that any modifications to the social system are dependent upon popular approval. Although a high level of civic involvement in the administration of social protection has been slow in forming, balancing economic and political considerations is a substantial challenge (Dziewiecka-Bokun, 1994, Gotting, 1994, ISSA, 1994, Marklund, 1993).

The consultation of Western advisors to transition governments on the most appropriate reform of social policy has been in no short supply. Some recommend the establishment of insurance principles for social security, thereby directly linking benefits to contributions; the eventual development of private insurance to supplement state provisions; and the gradual transfer of budget expenditure from universal benefits to an income-tested safety net. (Holzmann, 1993, Kopits, 1993, World Bank, 1993). However, there are policy analysts who challenge the efficacy of these recommendations, contesting the economic efficiency and distributional equity of both income-testing and private insurance (Beattie 1993, Heine 1993, Maret & Schwartz, 1994, Tamburi, 1992).

The adaptation of social policy reform in the study nations has been experienced with greatly differing results, reflecting a diversity of cultural tradition and variations in political and economic indicators. In what was formerly East Germany, political unification has produced an integration of individual earnings-related insurance with the temporary maintenance of a minimum pension (Heine, 1993, Ganssmann, 1993, Steinmeyer, 1993). In Hungary, the presence of mutual benefit societies before the Second World War and the growth of a strong informal sector over the last thirty years have laid a foundation for the emergence of non-governmental methods to address the needs for pensions and social services (Batty et al, 1994, Deacon, 1992, 6 & Kuti, 1993). In the Czech Republic, a history of a strong industrial base and social protection for workers before the communist coup in 1948 has contributed to that country's current economic stability and strong support for insurance principles in social security (Harris, 1994, Potucek, 1993, Mares et al, 1994). All three of these nations have striven to develop a mix of welfare providers which meet social needs according to the principle of subsidiarity.

Poland and Russia have had much greater difficulty in satisfying the economic, political, and social demands associated with the transition from a socialist state. In Poland, the rapid

introduction of "shock therapy" marketization measures has led to excessive unemployment and a substantial decrease in the standard of living (Ksiezopolski, 1993). Despite the growth in need, social policy is often neglected at the legislative level, and more responsibilities have been passed on to an already overtaxed social insurance system. One policy suggestion, proposing the privatization of pensions in emulation of the highly controversial Chilean model, has been skeptically refuted (Maret & Schwartz, 1994). In Russia, the situation seems to be even worse, as hyperinflation has forced a vast percentage of the population into the most distressing levels of poverty, while the existent state support mechanisms and nongovernmental social service providers are grossly insufficient in meeting needs (George & Rimachevskaya, 1993, White, 1993).

Specific Objectives

- 1) Identify the changes in social security provisions (income maintenance and health care programs).
- 2) Examine why the changes have been made.
- 3) Explore the likely consequences of the changes on specific population groups (elderly, women, children, families, workers, ethnic groups, poor)
- 4) Consider any implications of these consequences on future policy directions.

Methodology

The high level of disorder in the social policy decision making process stemming from difficulties associated with the transition to market economies creates obvious problems in collecting reliable information and in making an accurate assessment. Despite the difficulties of program development and implementation, government officials are generally receptive to sharing both substantive information and available statistical data that will provide insight into the factors that are shaping policy decisions. The research that has been undertaken by the authors over the past two years has uncovered sufficient materials to provide a meaningful discussion of the diverse general trends and directions of social security policy in these nations.

The methodology is a comparative policy process analysis method that has been used to compare social programs among nations at a similar stage of economic development (Tracy, 1991). Comparative process analysis is designed to compare social programs and provisions by analyzing the processes used to address social problems that are shared by one or more nation (Dierkes, Weiler, & Antal, 1987). It examines the conditions under which a given programmatic strategy is chosen by a country to address an identified problem and the consequences of using that strategy. The model borrows from a seminal comparative research methodology developed in the early 1970s which focuses on the stages in decision making and policy formation, including policy initiation, implementation, operation, and impact (Rsoe, 1973). The model used in this research will also examine how social issues and policy objectives are influenced by cultural, social, economic and political factors that shape, constrict,

and direct government action.

More specifically, the model is an eight-step method of analysis:

1. The government's (national, state and local) legal (constitutional) responsibility for income and health services.
2. The conceptual frameworks that help to determine the nature of government programs (i.e., social insurance/social assistance, universal/categorical, preventive/remedial, public/private).
3. The obstacles that inhibit government involvement in the delivery of benefits or services.
4. The forces that exert pressure for government action.
5. Service and benefit needs as defined by government.
6. Specific government goals, objectives and strategies relative to social programs.
7. A description of the provision under existing programs and services.
8. A synthesis of these factors and implications for the future.

Collaborative Work by Authors

Professors Tracy and Steinmeyer have a long-term working relationship dating from the late 1970s when Tracy was a research analyst with the Comparative Studies Staff of the U.S. Social Security Administration (now the Office of International Policy) and Steinmeyer was a visiting scholar. They have recently collaborated on an article "Old-Age Pension Reform in Central and Eastern Europe: A Review of Selected Countries" which was published in *Ageing International*, XXI (3), 14-20, 1994. The article was based on information drawn from the current study on Central and Eastern Europe.

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